

**AUDIT REPORT**

**PITTSBURG COUNTY RWD NO. 9**

**MCALESTER, OKLAHOMA**

**FOR YEARS ENDED NOVEMBER 30, 2011 & 2010**

**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
MCALESTER, OKLAHOMA  
NOVEMBER 30, 2011**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Table of Contents	1
Board of Directors	2
Independent Auditor's Report	3-4
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5-6
Schedule of Audit Results	7
Management's Discussion and Analysis (Unaudited)	8-9
 <b>COMBINED FINANCIAL STATEMENTS:</b>	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-15

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
BOARD OF DIRECTORS  
NOVEMBER 30, 2011**

**BOARD OF DIRECTORS**

Chairman	Janet Dalton
Vice-Chairman	Michelle Mercer
Secretary/Treasurer	Jeff Vaughan
Member	Millard Harp
Member	Harold Hearod

**OPERATOR**

Lynn Ellis

**MANAGER**

Debbie Fuller



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pittsburg County Rural Water District No. 9  
McAlester, Oklahoma 74501

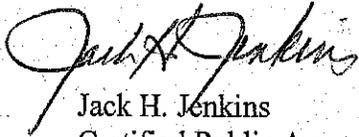
I have audited the accompanying financial statements of the business-type activities of the Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, as of and for the years ended November 30, 2011 & 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, as of November 30, 2011 & 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis report, that follows the Schedule of Audit Results, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 25, 2012, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Jack H. Jenkins  
Certified Public Accountant, P.C.

October 25, 2012



**Jack H. Jenkins, CPA** *A Professional Corporation*

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Pittsburg County Rural Water District No. 9  
McAlester, Oklahoma 74501

I have audited the financial statements of the Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, as of and for the year ended November 30, 2011, and have issued my report thereon dated October 25, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

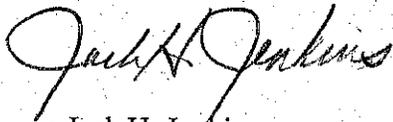
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors and management, and is not intended and should not be used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

October 25, 2012

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
SCHEDULE OF AUDIT RESULTS  
NOVEMBER 30, 2011**

**Findings – Financial Statement Audit**

None.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED NOVEMBER 30, 2011 & 2010**

Our discussion and analysis of Pittsburg County Rural Water District No. 9's financial performance provides an overview of the financial activities for the fiscal year ended November 30, 2010 and 2011. Please read it in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

- The total assets increased by \$10,623 as a result of this year's operations.
- The District's return on total ending assets was 2.80%.
- The total cost of the District's activities was \$233,515 compared to \$233,518 in the prior year.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets, and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the District's financial position.

One of the most important questions asked about the District's finances is "Is the District as a whole better or worse off as a result of this year's activities?" The financial statements report information about the assets and liabilities using the accrual basis of accounting.

These financial statements report the District's assets and changes in them. You can think of the District's Equity as the difference between assets the members own, and liabilities, what the members owe, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's equity are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors such as the condition of the District's capital assets to assess the overall health of the District.

The District's equity changed from a year ago, increasing from \$365,469 to \$376,327.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED NOVEMBER 30, 2011 & 2010**

**FINANCIAL RATIOS**

Working Capital is the amount by which current assets exceed current liabilities. The Current Ratio, which compares current assets to the current liabilities, is an indicator of the ability to pay current obligations. A ratio of less than one would indicate

	<b>Current Year</b>	<b>Prior Year</b>
<b>Working Capital</b>	\$ 109,579	\$ 89,762
<b>Current Ratio</b>	9.80%	11.92%

Return on assets measures earnings in relation to all of the resources available for use.

<b>Return on Assets</b>	2.89%	2.24%
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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the year the District had \$266,748 invested in net capital assets.

**Debt**

At year end, the District had no outstanding debt.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our members, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9**  
**STATEMENT OF NET ASSETS**  
**FOR YEARS ENDED NOVEMBER 30, 2011 & 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash in bank	\$ 61,776	30,936
Certificates of deposit	50,851	62,503
Accounts receivable	6,338	5,873
Prepaid insurance	2,525	2,596
Total current assets	<u>121,490</u>	<u>101,908</u>
Noncurrent assets:		
Capital assets:		
Water system and equipment	560,851	555,851
Less: accumulated depreciation	<u>(294,103)</u>	<u>(280,144)</u>
Total noncurrent assets	<u>266,748</u>	<u>275,707</u>
Total Assets	<u>388,238</u>	<u>377,615</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	<u>11,911</u>	<u>12,146</u>
Total current liabilities	<u>11,911</u>	<u>12,146</u>
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	266,748	275,707
Unrestricted	<u>109,579</u>	<u>89,762</u>
Total Net Assets	<u>\$ 376,327</u>	<u>365,469</u>

The accompanying notes are an integral part of the financial statements

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR YEARS ENDED NOVEMBER 30, 2011 & 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
Water revenue	\$ 239,971	232,375
Transfer fees	100	300
Meter sales	2,150	4,250
Other income	1,502	3,909
Total operating revenues	<u>243,723</u>	<u>240,834</u>
 <b>Operating Expenses:</b>		
Water purchased	111,964	120,811
Operating supplies & maintenance	6,666	9,650
Backhoe expense	8,130	6,997
Salaries and payroll tax	66,338	62,816
Professional fees	6,900	3,510
Office expense	6,136	5,354
Utilities	6,544	4,767
Meeting expense	1,000	1,100
Insurance	5,878	4,862
Depreciation	13,959	13,651
Total operating expenses	<u>233,515</u>	<u>233,518</u>
 Operating Income (Loss)	 10,208	 7,316
 <b>Non-Operating Revenues (Expenses):</b>		
Interest income	627	871
Dividends received	23	12
Total non-operating revenues (expenses)	<u>650</u>	<u>883</u>
 Changes in Net Assets	 10,858	 8,199
 Total Net Assets, beginning of period	 <u>365,469</u>	 <u>357,270</u>
 Total Net Assets, end of period	 <u>\$ 376,327</u>	 <u>\$ 365,469</u>

The accompanying notes are an integral part of the financial statement

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9**  
**STATEMENT OF CASH FLOWS**  
**FOR YEARS ENDED NOVEMBER 30, 2011 & 2010**

	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 243,258	\$ 240,663
Cash paid to employees	(66,338)	(62,816)
Cash paid to suppliers	(153,382)	(152,000)
Net cash flows from operating activities	23,538	25,847
<b>Cash Flows from Investing Activities:</b>		
Capital assets purchased	(5,000)	(19,660)
Receipt of interest	627	871
Dividends received	23	12
Net cash flows from investing activities	(4,350)	(18,777)
<b>Cash Flows from Financing Activities:</b>		
Net cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	19,188	7,070
Cash and cash equivalents, beginning of period	93,439	86,369
Cash and cash equivalents, end of period	\$ 112,627	\$ 93,439
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 10,208	\$ 7,316
Add depreciation expense	13,959	13,651
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(465)	(171)
Prepaid expenses	71	(852)
Increase/(Decrease) in Current Liabilities		
Accounts payable	(235)	5,903
Net cash flows from operating activities	\$ 23,538	\$ 25,847

The accompanying notes are an integral part of the financial statements

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED NOVEMBER 30, 2011 & 2010**

**Note 1 – Organization**

Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of this organization is to provide water to residential and commercial customers who are members of the District.

**Note 2 – Summary of significant accounting policies**

**Reporting Entity**

Pittsburg County Rural Water District No. 9 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District purchases water primarily from the city of McAlester

**Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Accounts Receivable**

All accounts greater than thirty days are considered past due. Receivables greater than ninety days are carried at the original billed amount. No provision is made for bad-debt expense as it is deemed to be of an immaterial amount. An aging of accounts receivable as of November 30, 2011 & 2010 is as follows:

	<u>2010</u>	<u>2011</u>
0-30 days:	<u>\$5,873</u>	<u>6,338</u>

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED NOVEMBER 30, 2011 & 2010**

**Inventory**

Inventory is expensed when purchased and capitalized when used for improvements to the water or sewer system. Inventory on hand is not recorded as the amount is deemed to be immaterial to the financial statements.

**Property and Equipment**

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. The District capitalizes assets with a useful life in excess of one year with a cost of \$250 or more. Line extension costs reimbursed by the customer will be capitalized and accordingly depreciated.

**Cash and Cash Equivalents**

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

**Custodial Credit Risk**

At November 30, 2011 & 2010, the District held deposits of approximately \$112,627 and \$93,439, respectively at financial institutions. The District's cash deposits are entirely covered by Federal Depository Insurance.

**Note 3 – Risk Management**

Pittsburg County Rural Water District No. 9 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED NOVEMBER 30, 2011 & 2010**

**Note 4 – Capital Assets**

The following is a summary of changes in property, plant and equipment:

	Balance November 30, 2010	Additions	Deletions	Balance November 30, 2011
Water System & Equipment	555,851	5,000		560,851
Less accumulated depreciation	280,144	13,959		294,103
Net	<u>\$ 275,707</u>	<u>\$ 18,959</u>	<u>\$ -</u>	<u>\$ 266,748</u>

**Note 5 – Income Tax Status**

The District is not subject to state or federal income taxes as a non-profit organization.